

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE UNION LIGHT, HEAT
AND POWER COMPANY

ALLEGED VIOLATION
OF KRS 278.992(1)

)
)
)
)
)
)
)

CASE NO. 2002-00303

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered this 18th day of October, 2002, by and between the STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") and THE UNION LIGHT HEAT AND POWER COMPANY ("ULH&P").

WITNESSETH:

WHEREAS, ULH&P is a natural gas utility subject to Commission jurisdiction pursuant to KRS 278.040 and KRS 278.495; and

WHEREAS, on June 6, 2002, an incident involving a gas-related fire occurred in Covington, Kentucky; and

WHEREAS, on August 29, 2002, the Commission issued a show cause Order to ULH&P for the alleged violation of 49 CFR Part 192.751(a) and 49 CFR 192.13(c), directing ULH&P to show cause why it should not be subject to the penalties of KRS 278.992(1) relating to this incident; and

WHEREAS, ULH&P and Commission Staff held an informal conference on October 11, 2002 at which it was agreed that the two alleged violations would be merged

and ULH&P would admit that it was in violation of 49 CFR 192.13(c) for failure to follow its written procedures.

WHEREAS, ULH&P and Commission Staff desire to settle the issues raised by this proceeding and have entered into this Settlement Agreement through compromise.

NOW, THEREFORE, ULH&P and Commission Staff agree that:

1. Within 10 days after the entry of an Order approving this Settlement Agreement, ULH&P shall pay to the Commonwealth of Kentucky the sum of TWENTY FIVE THOUSAND DOLLARS (\$25,000). This payment shall be in the form of a cashier's check made payable to "Treasurer, Commonwealth of Kentucky" and shall be mailed or delivered to the Office of General Counsel, Public Service Commission of Kentucky, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky 40602.

2. ULH&P has submitted in mitigation that it had in place at the time of the incident procedures to cover this type of activity; the employees involved were experienced and had good safety records; the employees were disciplined as a result of ULH&P's own internal investigation; and that no member of the public was injured as a result of the accident. Further, ULH&P has revised its procedures and instituted new training for this type of service. ULH&P has conducted training for "meter specialist one" with a refresher course scheduled every two years. This refresher course also contains new material designed to emphasize safety procedures and address problems that may occur during the performance of such activity.

3. ULH&P has submitted to the Public Service Commission a copy of its revised procedures.

4. This Agreement is subject to the acceptance of and approval by the Public Service Commission.

5. If the Public Service Commission fails to accept and approve this Settlement Agreement in its entirety, this proceeding shall go forward and neither the terms of this Settlement Agreement nor any matters raised during settlement negotiations shall be binding on either signatory or be construed against either ULH&P or Commission Staff.

6. Commission Staff shall recommend to the Public Service Commission that this Settlement Agreement be accepted and approved.

IN WITNESS WHEREOF, ULH&P and Commission Staff have executed this Settlement Agreement the day and year first above written by and through their duly authorized attorneys.

STAFF OF PUBLIC SERVICE COMMISSION
OF KENTUCKY

BY: James R. Goff
James R. Goff, Staff Attorney

THE UNION LIGHT, HEAT AND POWER
COMPANY

BY: Philip Thompson
TITLE: Senior Counsel